



The Weekly Market Update – 1/20/26: Earnings Reports vs. Renewed Tariff Threats

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,940.01	-0.38%	1.38%	1.38%	17.99%	6,977.27	0.5%
Dow Jones Industrial Average	49,359.33	-0.29%	2.70%	2.70%	16.02%	49,590.20	0.5%
NASDAQ Composite	23,515.39	-0.66%	1.18%	1.18%	21.77%	23,958.47	1.9%
Russell 2000	2,677.74	2.04%	7.89%	7.89%	20.07%	2,677.74	0.0%
MSCI EAFE (USD)	2,992.06	1.39%	3.43%	3.43%	32.29%	2,994.30	0.1%
MSCI Emerging Markets (USD)	1,484.97	2.25%	5.74%	5.74%	38.08%	1,484.97	0.0%
Bloomberg Commodity Index	113.59	1.31%	3.56%	3.56%	15.02%	237.95	109.5%
Barclays U.S. Aggregate Bond	93.92	-0.19%	-0.16%	-0.16%	3.86%	112.07	19.3%

Source: FactSet

We look for 4Q25 S&P 500 earnings reports to exceed estimates, but market gains will be dependent upon solid 2026 guidance as well. Equity indices have rallied to begin 2026, partially attributed to strong earnings growth expectations for the fourth quarter. Corporate earnings reports will begin to ramp up in the days ahead (35 S&P 500 companies due to report this week), peaking in early February. Consensus estimates (per FactSet) for 4Q25 S&P 500 year-over-year (Y/Y) earnings reflect growth of +8.0% (as of 12/31), but quarterly earnings growth exceeded that in 2025, supporting our view that upside earnings surprises will continue. Quarterly Y/Y earnings growth averaged +12.9% in 1Q25, 2Q25, and 3Q25, and final reported numbers came in +650 basis points above pre-quarter estimates. Should 4Q25 actual results exceed estimates by the same amount, the actual quarterly growth rate will be +14.5% and will likely drive market gains, in our view. From a sector point of view, Technology (Tech) is expected to drive overall earnings growth in 4Q25 with Y/Y earnings growth (S&P 500 Tech sector) of +26%, well above the next best estimated sector growth rates of +8% and +7% for Materials and Financials, respectively. While we will not be surprised if Tech earnings growth is better than expected, we believe that investors are positioned for other sectors to deliver upside earnings surprises. Through 1/16/26, sector gains were led by Industrials, Materials, and Energy, perhaps tied to economic optimism that ultimately could drive earnings upside. In our view, broad-based earnings growth in 4Q25 is needed to keep spirits high for the 2026 outlook. As of 1/16/26, full-year 2026 S&P 500 earnings growth is estimated up +14.6%, creating a high bar for markets.

Financial markets were rattled to start the week as the Trump Administration (Trump) has threatened new tariffs across Europe. The president has set 10% (2/1/26) and then 25% (6/1/26) tariffs on eight European trading partners to drive discussion about Greenland. We remain unsure about Trump's ultimate goal, although Greenland is self-governed, but is also controlled by Denmark. Europe has responded forcefully and has threatened a retaliatory trade war and perhaps the closing of some markets to U.S. companies. The S&P 500 has declined nearly -2% in Monday trading, erasing prior month-to-date gains, and U.S. bond yields have spiked, indicating that some investors are selling U.S. Treasury securities. The U.S. 10-year Treasury yield moved to 4.29% (it was 4.17% on 12/31/25) its highest level since early September 2025. The timing of the tariff threat is just ahead of Trump's scheduled speech on 1/21/26 at the World Economic Forum, which could include more rhetoric to support the president's desire to negotiate trade deals and open up markets for U.S. companies. Admittedly, the tactics are often volatile and unconventional, but for now we see little change to our outlook for solid 2026 economic growth and strong corporate performance.

A holiday shortened week will see some earnings reports, key consumer data, and potential market-moving activity at the Supreme Court. Markets are open Tuesday after the Monday market holiday (Martin Luther King Jr. Day). By Friday, nearly 15% of the S&P 500 companies will have reported 4Q25 earnings, with Financials (banks, capital markets, and insurance) among the early reporters. On Thursday (1/22), the Bureau of Economic Analysis (BEA) will report personal income and outlays for October and November as economic data still plays catchup from the 6-week government shutdown to start the fourth quarter. The outlook for consumer spending has firmed in recent weeks, but October could show weakness. At any time this month, the Supreme Court will rule on the legality of Trump tariffs.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data on a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. On 12/23/25 the BEA reported that 3Q25 GDP increased +4.3% annualized from the previous quarter. This was inflation-adjusted, or "real GDP." The [12/23/25 GDP report is linked here](#). The BEA also reports month income and spending data in a Personal Income and Outlays report.

The U.S. Constitution states that money drawn from the U.S. Treasury must be from appropriations signed by law. Congress has created 12 appropriation committees to approve annual spending in 12 spending categories. Spending bills require a majority vote in the U.S. House of Representatives, and 60 votes in the U.S. Senate, and then a signature from the President. Bills can be combined into an omnibus bill, or funding can be extended through a continuing resolution. On 11/12/25 Congress approved a continuing resolution that ended the budget shutdown after six weeks.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index. In 1Q25 reported S&P 500 earnings growth was +12.9% (consensus estimate was +6.5%), 2Q25 earnings growth was +12.1% (estimate +4.9%) and 3Q25 earnings growth was +13.6% (+7.6% estimate).

The [World Economic Forum 2026](#) is held in Davos, Switzerland on January 19-23, 2026.